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city of del mar memorandum

2.7-9

To: CITY COUNCIL

Date: June 8, 1978

From: CITY MANAGER

Subject: DISCUSSION AND RECOMMENDATION FOR ADJUSTING TO PROPOSITION 13

Because of (1) the overwhelming 2-to-1 passage of Proposition 13; (2) the most recent intention of the Board of Supervisors, as expressed through the County Administrative Officer, for distributing the 1% limit property tax revenue for the coming fiscal year; and, (3) the apparent confusion and lack of direction of the State Legislature for any relief in the form of replacement revenues, the City now faces the probability of the "worst case" effects of the Initiative.

In short, there is a likelihood that the City will not receive any property tax revenue in the coming year except for previously issued G.O. bonded debt service. The most prudent fiscal approach for meeting this prospect is to prepare for the coming fiscal year by assuming there will be neither property tax nor State replacement revenues and maintaining a balanced budget by spending within the predictable available revenues.

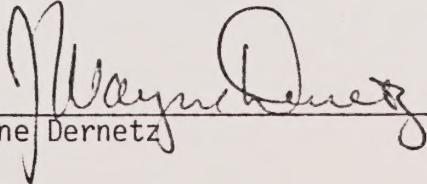
Uncertainty on the methods for implementing Proposition 13 is rampant. No one now has any reliable prediction on the various issues or questions raised by the Initiative. There will be numerous approaches suggested by the legislative, judicial and executive branches of the State government as well as at the city and county level. It is entirely possible that it will take more than a year to resolve the many detailed issues for implementing this measure.

Throughout all of this, however, the message and mood of the voters seems quite clear. It is unlikely any of the branches of government will resist that message. The challenge of spending within predictable revenues for the fiscal year beginning July 1 and assuming there will be no property tax or replacement revenues requires that we identify a combination of expenditure reductions and/or alternate funding sources amounting to \$349,000. Last May 30, I presented a report outlining the apparent alternatives for meeting this "worst case" contingency. Although a few added possible alternatives were suggested, as yet none of these are predictable. Having further studied these alternatives since June 6, I have prepared recommendations for the City Council's consideration.

The list of recommended cuts, program deletions and reallocations of other funds may seem harsh to some. They are intended to provide the base line for the City Council. In preparing these recommended cuts, I have had the following points in mind:

1. Identifying and obtaining alternative revenues will take time and, under Proposition 13, may be difficult.
2. As alternative or replacement revenues can be identified, the City Council may desire to restore these program deletions or reductions.
3. The City Council may rather want to "spend down" available reserves to maintain service levels for as long as possible, where possible.
4. Some changes in spending level are more easily achieved than others because of variables in lead-time required, seasonal fluctuations, the nature of the work affected and other factors. A decision whether to delete, reduce or reorganize a program is based on these factors.
5. The City's legal responsibility to meet various state and federal mandates continues, Proposition 13 or no.
6. It is usually less "painful" to cut drastically now and restore later, if possible, than to cut by degrees over an extended period of time.
7. And finally, for various reasons, some who voted in favor of Proposition 13 may also oppose any cuts in services.

In any adversity, there is the opportunity for constructive changes. Hopefully, through this process of adapting to Proposition 13, we will find and focus on those opportunities.



J. Wayne Dernetz

JWD:ms
Attachment

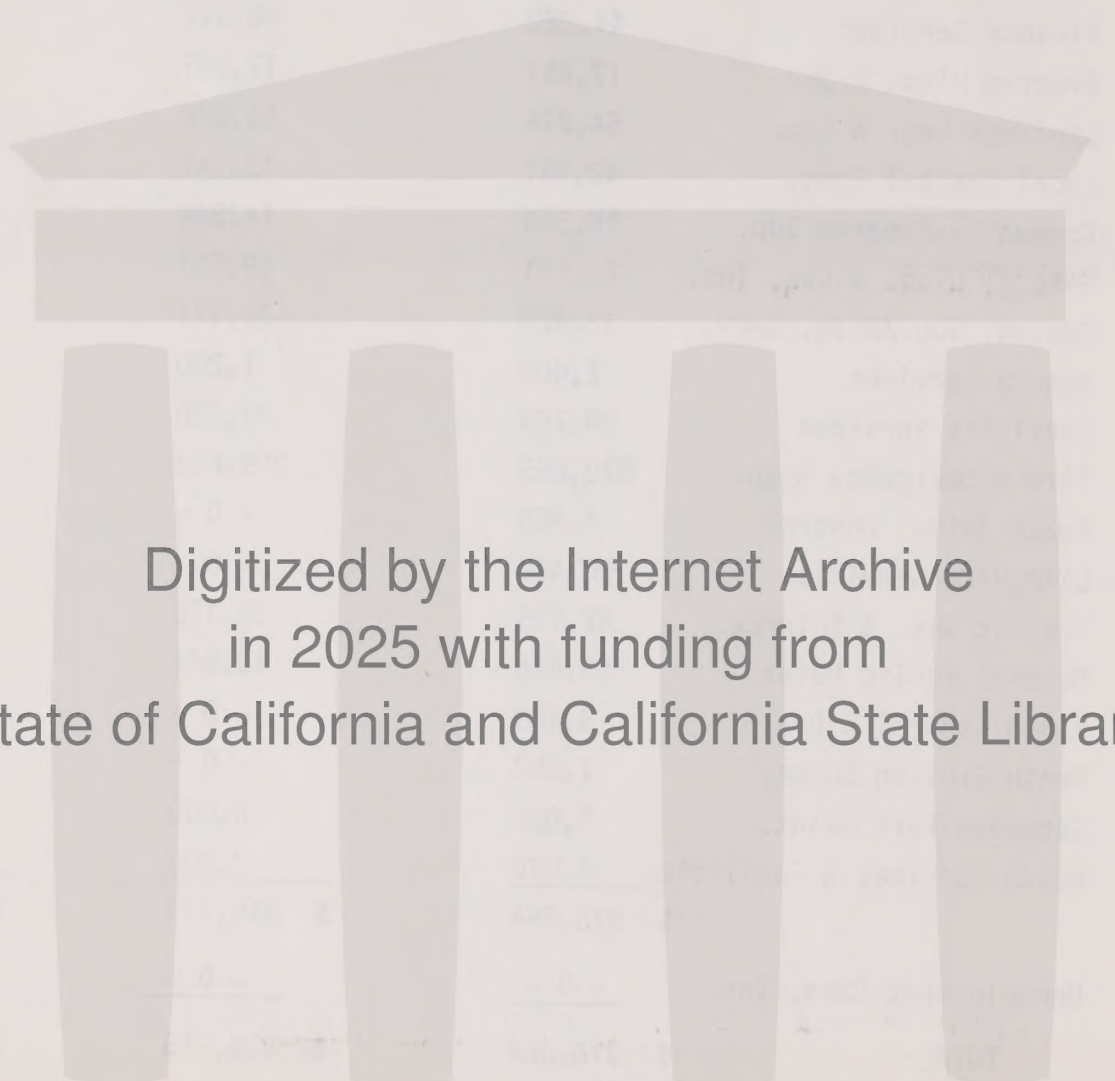
GENERAL SUMMARY
PLAN FOR PROP. 13 BUDGET CHANGES

<u>Property Tax Revenue Loss:</u>	\$ 349,000
From amount estimates at 5/24, assumed tax rate of 92¢ on A.V. of 108% of current	

• <u>Prop. 13 Budget Adjustments:</u>	
• Program cost reductions:	101,434
Reallocation of revenue sharing, admissions tax and construction tax	177,847
New revenues (planning fees and const. tax)	50,259
Loss of Increase to Reserves	<u>19,460</u>
TOTAL	<u><u>\$ 349,000</u></u>

RECOMMENDED PROGRAM CHANGES FROM COUNCIL REVIEW

<u>Program</u>	<u>5/23 Council Review</u>	<u>5/30 Prop. 13 Alternatives</u>	<u>6/12 Prop. 13 Recommendation</u>
401 City Council	\$ 6,645	\$ 5,395	\$ 5,245
402 City Manager/City Clerk	75,654	74,404	71,993
403 Legal Services	34,500	33,250	34,500
405 Finance Services	41,822	40,572	41,018
406 Program Plan. & Dev.	17,697	17,697	24,992
407 Land Use Reg. & Adm.	54,276	54,276	54,360
408 Local Coastal Prog.	43,741	43,741	36,385
411 Community Program Sup.	15,594	14,344	6,300
413 General Liab. & Cas. Ins.	20,841	19,591	20,841
415 Central Sup./Bldg. Serv.	32,427	31,177	32,427
416 Agency Services	2,450	1,200	2,450
421 Sheriff's Services	99,780	99,780	99,780
422 Fire & Emergency Resp.	329,665	299,665	296,885
423 Beach Animal Control	4,460	- 0 -	- 0 -
425 Lifeguard Services	90,439	- 0 -	62,306
426 Traffic Reg. & Enforce.	32,175	32,175	32,175
431 General Public Maint.	55,846	43,846	36,983
435 Flood Control & Drain.	3,400	- 0 -	- 0 -
437 Beach Erosion Survey	1,982	- 0 -	- 0 -
441 Seagrove Park Maint.	6,000	6,000	6,000
442 Beach Services & Facilities	9,270	2,000	9,270
	\$ 978,664	\$ 819,113	\$ 873,850
Unemployment Comp. Ins.	- 0 -	- 0 -	3,380
TOTAL:	\$ 978,664	\$ 819,113	\$ 877,230



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EXPLANATION OF PROGRAM COST REDUCTIONS

1. Services Deleted

423	Beach Animal Regulation: Provides supplemental services for dog ordinance enforcement on beach; can rely on county services supported by license fees; beach lifeguards and Sheriff.	\$ 4,460
435	Beach Berm: Discontinue maintenance of protective sand berm at beach front; consider assessment district for costs of continued maintenance.	3,400
437	Beach Erosion Survey: Request Scripps Inst. to continue study and survey; seek donations or grants.	1,982
411	Support to community programs: Delete support to Meals on Wheels, cultural events, effective 7-1-78. Delete support to Chamber of Commerce and Day Care Center, effective 1-1-79 unless alternate revenues located.	9,294

2. Services Reduced

401	City Council: Reduced travel, supplies and mtg. expense.	1,400
402	City Manager: Reduced travel, temporary clerical, training and education expense.	3,661
405	Finance Services: Reduced meetings and travel, some supplies.	804
431	General Maintenance Services: Eliminate vacant position; defer fixed asset purchase; delete temporary clerical and laborer salaries; reduce operating supplies.	18,863
425	Lifeguard Services: Two alternative approaches result in approximate same cost reduction. (a) Layoff Lifeguard Lt., effective 8-1-78; maintain seasonal and temporary salaries at 85% of current levels. Has minor effect on service. (b) Maintain permanent personnel at current salary levels; reduce temporary and seasonal guards in salary and hours. Makes significant reduction in service level. Also, defer replacement or repair of one vehicle; operate TR lifeguard program strictly on self sustaining basis; eliminate free tide books and other handout materials.	28,133

422 Fire and Emergency Services: \$ 32,840
Delete (1) Firefighter position and (1) Deputy Chief
position; effective 8-1-78.

Reduce reserve program from 15 to 8 positions; increase
reserve fire call fee to encourage response.

Remove ladder truck and (1) backup vehicle from maintenance.

Restore duty hours from 60 to 72 per week (same level as
1974-1975) to maintain 3 member fire and emergency response
crew.

Basic services levels will be maintained.

REVENUE REALLOCATIONS

1. New Revenues to be added 7-1-78

406 Program Planning Development
 407 Land Use Reg. and Enforcement
 408 Local Coastal Plan

No
 Reduction

All Planning services will be rebudgeted to become nearly self sufficient. However, budget levels are now at minimum level to maintain current services.

Revised budgets are submitted as follows:

406 Program Planning	\$ 24,992
407 Land Use Reg.	54,360
408 Local Coastal Prog.	36,385 ✓
TOTAL	<u>\$115,737</u>

Revenues to support these programs are identified as follows:

	<u>Current Estimate</u>	<u>Recommended Levels</u>
Construction Tax (1)	\$ 30,800	\$ 43,120
Permits and Processing Fees	13,875	48,425
State Grant	24,992 ✓	24,992
	\$ 69,667	<u>\$ 116,537</u>

(1) NOTE: The City's Construction Tax is now levied at 25¢/s.f. and allocated to the Open Space Fund. I recommend this tax be raised to 35¢/s.f. and used to support these programs.

2. Admissions Tax

\$ 114,386

Presently, 40% of estimated admissions tax revenues are allocated to the Open Space Fund. This amounts to \$114,386 at current estimates. Only \$67,483 is budgeted and \$ 61,483 provides for g.o. bond debt service.

I recommend the entire admissions tax revenue (along with the construction tax for planning services) be reallocated to the general fund.

The Open Space bedt service can be placed on the property tax rate, exempt from Proposition 13 limitation. This would result in a tax rate now estimated at 24¢ above the \$4.00 rate anticipated to be levied by the county.

3. Revenue Sharing

30,721

See
 attached
 SHEETS

PROJECTED REVENUE SOURCES 1978 - 1979

DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

Revenue Source	Revised Current Budget (1)	Recommended Increased Budget	Amount of Increase
<u>01-360 Zoning/Subdivision</u>			
Rezones	\$ 400	\$ 1,000	\$ 600
Variances	3,750	7,500	3,750
CUP's	3,000	3,000	-0-
Major Subdivisions	700	3,000	2,300
Minor Subdivisions	1,750	2,500	750
Boundary Adjustments	500	1,500	1,000
Certificate of Compliance	125	1,500	1,375
Interpretations	-0-	800	800
Parking Agreements	-0-	400	400
Legal Lot Determinations	-0-	1,500	1,500
Violation Penalty Fees	-0-	1,000	1,000
Appeals	-0-	3,000	3,000
Subtotal	\$10,225	\$26,700	\$16,475
<u>01-361 Environmental Fees</u>			
Environmental Assessments	\$ 750	\$ 3,750	\$ 3,000
Negative Declaration	-0-		
Environmental Impact Report	-0-	500	500
Subtotal	\$ 750	\$ 4,250	\$ 3,500
<u>01-365 Plan Checking</u>			
Plan Checks (Zoning Conformity)	\$ -0-	\$ 3,600	\$ 3,600
<u>01-366 Engineering Fees</u>			
Flood Plain Certificate	\$ 200	\$ 300	\$ 100
<u>01-367 Planning Fees</u>			
Community Plan Amendments	\$ -0-	\$ -0-	\$ -0-
Encroachment Permits	140	700	560
Tree Removal Permits	-0-	450	450
Design Review	1,215	6,750	5,535
Bluff/Slope/Canyon Review	270	1,500	1,230
Sign Review	175	875	700
View Review	-0-	1,500	1,500
Land Conservation	900	1,500	600
Conceptual Reviews	-0-	300	300
Subtotal	\$ 2,700	\$13,575	\$10,875
19-324 Construction Tax	\$30,800	\$43,120	\$12,320
<u>TOTAL</u>			
Applications	\$13,875	\$48,425	\$34,550
Construction Tax	30,800	43,120	12,320
COMBINED TOTAL	\$44,675	\$91,545	\$46,870

(1) Differs from current 5/23 budget

RECOMMENDED FEE SCHEDULE 1978 - 1979

DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT



Estimated No. of appl.	Type of Application	Current Fee	Recommended Fee	Recommended Increased Budget
01-360 Zoning/Subdivision Fees	1 Rezone	\$ 400 ea	\$ 1,000 ea	\$ 1,000
	25 Variances	150 ea	300 ea	7,500
	10 CUP's < additions	200 ea	200 ea	3,000
	< new constr.	400 ea	400 ea	
	2 Major Subdivisions	350 ea	1,500 ea	3,000
	5 Minor Subdivisions	350 ea	500 ea	2,500
	5 Boundary Adjustments	100 ea	300 ea	1,500
	5 Certificate of Compliance	25 ea	300 ea	1,500
	8 Interpretations	-0-	100 ea	800
	4 Parking Agreements	-0-	100 ea	400
	15 Legal lot determinations	-0-	100 ea	1,500
	10 Violation penalty fee	-0-	100 ea	1,000
	60 Appeals	-0-	50 ea	3,000
01-361	15 Environmental Assessments	50 ea	250	3,750
	12 Negative Declarations	-0-		
	2 EIR's	-0-		
01-365	72 Plan Check Fee	-0-	50 avr	3,600
01-366	2 Flood Plain Certification	100 ea	150 ea	300
01-367 Planning Fees	0 Community Plan Amendments	400 ea	1,000 ea	-0-
	28 Encroachment Permits	5 ea	25 ea	700
	18 Tree Removal Permits	-0-	25 ea	450
	45 Design Review Permits	20-40 ea	150 avr	6,750
	10 Bluff/Slope/Canyon	20-40 ea	150 avr	1,500
	35 Sign Review	5 ea	25 ea	875
	60 View Review	-0-	25 ea	1,500
	15 Land Conservation	40-100 ea	100 avr	1,500
	6 Conceptual Reviews	-0-	50	300
SUBTOTALS, Applications				\$48,425
19-324	Construction Tax	25¢/¢	35¢/¢	43,120
TOTAL REVENUE				<u>\$91,545</u>

GENERAL FUND
REVENUES AND REALLOCATIONS
PROPOSITION 13 BUDGET 1978-1979

Revenues

Taxes	\$ 432,571
License & Permits	54,100
Fines & Forfeitures	11,340
Use of Money and Property	13,018
Rev. from other agencies	110,661
Current Services	13,986
Other	<u>37,940</u>
Sub-Total	\$ 673,616
*Additional Planning Fees to be added	50,259
Sub-Total	<u>\$ 723,875</u>

Reallocations

Revenue Sharing Allocation	30,721	
Open Space Allocation	153,426	(Admin Tax & Construction Tax)
Sub-Total	908,022	

LESS:

Program Expenses	877,230
Reserve for Salary & Benefits	<u>30,792</u>

RESERVES:

	Allocated	Unallocated
General Surplus	\$ 95,000	\$ 83,717
Gas Tax	185,525	
Capital Improvement Reserve		43,800
Revenue Sharing		29,400
Open Space	<u>70,000</u>	<u>52,200</u>
TOTAL	\$ 350,525	\$ 209,117

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